

# What Doesn't Work: Threats to Democracy

## The Failure of Supply-Side Economics -- Except for the Rich

Supply-side economics is, in particular, the notion that tax breaks should be given to the rich and to corporations -- so that they will invest more. When they invest more, benefits will "trickle down" to the middle class and to the poor, according to the theory.

Supply-side economics rests on the notion of an infallible self-regulating market. The market is said to be the most rational and equitable mechanism for regulating human affairs. Efforts to interfere with the market by governments or outside agencies only will reduce the market's power, it is said.

However, in the real world, the market comes up short when it comes to democratic values.

## Corporations Limit Democracy

Supply-siders try to present markets in terms of pure competition. Entrepreneurs are said to serve the public by lowering prices and improving quality in constant, intense competition. In reality, this vision is the worst nightmare of any corporation. Successful corporations move quickly to lessen their risks by increasing their size and reducing the threat of competition. Many markets become controlled by just a few corporations, with tough barriers to entry to prevent new competition.<sup>2</sup>

Big corporations have highly concentrated economic power. As a result, they have big money. This money is used to contribute to political candidates, in expectation for favors later, and to buy highly paid lobbyists who seek those favors with politicians who are elected. The money buys power. The power limits the freedom of the people and is undemocratic, because corporations are not elected by the people nor are they therefore accountable to the people. In this sense, America's economic system runs its political system. We have a "one-dollar, one-vote," democracy, not "one-person, one-vote."

Yet few Americans remember that "we the people" fought the American Revolution as a protest against *both* distant big government *and* unaccountable big corporations. In the words of Jim Hightower:<sup>3</sup>

The people who founded this nation didn't fight a war so they could have a couple of "citizen representatives" sitting in on meetings of the British East India Company. They carried out a revolution in order to be free of oppression: corporate, governmental, or otherwise; and to replace it with democratic self-government. Adams, Jefferson, Paine, and the rest had not had a happy experience with the corporations of the crown and were unabashedly anticorporate at the founding, with Jefferson even speaking of the need "to crush in its birth the aristocracy of our moneyed corporations."

The citizens of early America knew what they were up against: raw economic power. They were rightly wary of the corporate structure itself, knowing that it allowed a few individuals in the society to stockpile a massive amount of money and power, then use this and the corporate shield to pursue their private gain to the harm of the common good.

Anyone so timid as to think that it is radical for citizens today even to consider "interfering" with the private will of corporations is not made of the same stout stuff as the citizens who created our states and our country. In America's first hundred years, applicants could get a corporate charter only by approval of their state legislature, usually requiring a two-thirds vote to win one. Few charters were awarded, and those few corporations that got them were limited in their function, in how much money they could aggregate, in how long they could exist, and in how they could function. Citizens took their hard-won sovereignty seriously, adamantly defending it against the possibility of corporate usurpation. State after state imposed strict terms on the issuance of a charter, leaving no doubt about who was in charge. This is our hidden history of proud and aggressive citizenship...

[But] [g]radually, the bridle has been removed, resulting in what we have today -- the runaway corporate autocracy that the founders predicted and feared. Shall we just accept it?

We need to crank up a political fight that has some guts to it, some fire-breathing democratic passion in it, some of the revolutionary spirit of 1776 behind it. This is not a fight about regulations or really even about corporations -- it's about control, sovereignty, self-government, *democracy*. Let's force the issue and put it as starkly as it is: Are corporations going to rule, or are we?... The self-evident battle of our era is to defeat corporate autocracy and establish citizen rule over our government, our economy, and our environment.

*Reducing the undemocratic power of large corporations is not antibusiness. Business is a cornerstone of the American experience.*

One first policy step is to reduce the tremendous amount of corporate welfare, provided by the federal government in the form of special tax breaks and subsidies. (See **National Policy Based on What Works** and Chapter 6 of *The Millennium Breach* under **Publications**.) A second step is campaign finance reform. (See **Communicating What Works and Creating Action** and Chapter 5 of *The Millennium Breach*, under **Publications**.) A third step is more citizen control over corporate media. (See Chapter 6 in *To Establish Justice, To Insure Domestic Tranquility*, under **Publications**.)

### **Some Facts**

But has not supply-side economics at least made us all richer? The facts are these:

- **Income inequality: The 1980s.** During the supply-side economics that dominated the 1980s in America, the rich got richer and the poor got poorer, according to conservative author Kevin Phillips and many others. The working class got poorer. The middle class stayed about the same, so it lost ground to the rich.<sup>5</sup>
- **Income inequality: The 1990s.** In the 1990s, the large income gaps of the 1980s actually widened. The incomes of the best of Americans rose twice as fast as those of middle income Americans, according to the Congressional Budget Office. The gap between rich and working-income Americans rose even more. Income differences between the haves and the have-nots are growing faster in America than in any industrialized democracy. In countries where reliable information exists, the United States is second only to Russia in having the smallest middle class and the highest poverty rates.<sup>6</sup>
- **Child poverty.** During the height of the supply-side economics, from 1980 to 1992, child poverty increased by 22 percent. Today, over 20% of all American children age 5 and under are living in poverty, in spite of "welfare reform."<sup>7</sup>
- **Wealth inequality.** The increase in wealth inequality during the 1980s was virtually unprecedented. The only comparable period in America in the twentieth century was 1922-1929, before the Great Depression. During the 1980s, 99% of the wealth gained went to the top 20% of wealth holders in America. The median wealth of nonwhite American citizens actually fell during the 1980s. The average level of wealth of an African-American family in America today is about one-tenth of an average white family. Wealth inequality is much worse in the United States than in countries traditionally thought of as "class ridden," like the United Kingdom.<sup>8</sup>
- **CEO-worker inequality.** In 1980, the average corporate CEO earned 42 times as much as the average worker. In 1998, the average corporate CEO earned 419 times as much as the average worker.<sup>9</sup>

From 1981 to 1991, the national debt increased from \$800 billion to well over \$3 trillion, during the height of supply-side economics. Columbia University Professor Alan Brinkley has suggested that, during the supply-side 1980s, the debt, and the need to finance it, was used intentionally to undercut support for what works -- not by discrediting successful inner city investments, but by sacrificing them to deficit and debt reduction.<sup>10</sup>

By contrast, supply-side policy was not practiced between 1993 and 2000. In 1993, taxes were raised to cut the federal deficit. One supply-sider predicted, "[The tax increase] will kill jobs, kill businesses, and, yes, kill even the higher tax revenues that these suicidal tax increases hope to gain."<sup>11</sup> Instead, America experienced the greatest economic boom in its history (although inequality continued to increase, as discussed above). At the new millennium, the official federal government surplus estimate for the 2000-2010 period was an astounding \$4.2 trillion.<sup>12</sup>

Supply-side economics also placed a priority on deregulation. One notable result was failure in the savings and loan industry. The federal government bailed out the industry by floating 30 year bonds. Mark Zepezauer and Arthur Naiman estimate that, depending on interest rates, the cost of the bailout will be perhaps \$950B -- or about \$32B per year for 30 years:<sup>13</sup>

All this money will come from taxpayers and will go to the people who bought the bonds. So, ultimately, the S&L bailout amounts to a massive transfer of wealth from ordinary people to investors (most of whom are wealthy) -- as well as to the crooks who looted the S&Ls. (Few of them were convicted, by the way, and the average sentence of those who were was less than two years.)

### **The Failure of Enterprise Zones<sup>14</sup>**

Available evidence suggests supply-side enterprise zones have failed, for the most part. Tax breaks were given to corporations so that they, it was argued, would move into neighborhoods like South Central Los Angeles and employ young minority dropouts. Yet, for example, in an assessment 6 years after the Los Angeles riot, *supply-side incentives had failed to attract businesses into South Central, and the unemployment rate for young, African-American males was over 30 percent.*

Beyond Los Angeles, more than 500 enterprise zones have been tried in 37 states. Evaluations have not found significant employment or economic development benefits. For example, in Louisville, Kentucky, there was little evidence that tax breaks induced anyone to invest in an enterprise zone who otherwise would not have done so. Only 14 percent of the jobs created in the zone went to persons unemployed or on welfare who lived in the zone. Experience so far suggests that most of the jobs and businesses are imported from another city or nearby neighborhoods not quite devastated enough to fit the enterprise zone criteria. This has not added up to many new jobs or reduced the overall unemployment rate in the enterprise zone. Nor does the plan guarantee that the jobs will pay decent wages or go to inner-city residents.

The U.S. General Accounting Office's evaluation concluded that the Maryland enterprise zone program "did not stimulate economic growth as measured by employment or strongly influence most employers' decisions about business location." According to *Business Week*, one study found that infrastructure, low crime rates and access to labor markets were more important factors in site selection than tax rates.

In its evaluation, the Urban Institute reported that "...extensive evaluations of state enterprise zone programs have found no evidence that incentives have contributed to employment or investment growth in designated areas." The study also found that "most proposed enterprise zone incentives are poorly targeted on the poor. Few of the tax benefits in the leading proposals accrue directly to the disadvantaged residents of enterprise zones. Instead much of it goes to reward businesses for behavior that will not necessarily benefit the poor."

The Urban Institute study examined proposals for 50 enterprise zones. It was estimated that the 50 zones would cost \$1.8 billion in tax revenues forgone over five years. Yet it also was estimated that, even if the proposals had been a complete success -- an outcome that the Institute considered quite unlikely -- they would have affected at most 1.5 percent of the U.S. poverty population. *Importantly, the Urban Institute study concluded that the federal resources expended to provide these generous tax subsidies in the 50 enterprise zones could better be spent expanding effective programs for children of low-income families.*

As studies both in the United States and in Great Britain show, the hidden costs of enterprise zone strategies in lost tax revenues actually render them prohibitively expensive, in terms of costs per job created. "There is evidence," wrote the conservative *Economist*, "that they [enterprise zones] are often wasteful and tend to displace rather than create business activity."

Based on thinking similar to enterprise zones, the supply-side targeted jobs tax credit, given to employers who hired welfare recipients and other low-income people from 1978 to 1995, failed. According to the U.S. Department of Labor Inspector General, audits found that 92 percent of the workers hired under the program would have been hired anyway. The program generated \$140M a year in benefits at a cost of \$374M a year. In terms of cost-benefit ratios, this means that, for every dollar invested, taxpayers received 37 cents in benefits.

In the mid-1990s, the federal government's empowerment zones eliminated many of the shortcomings of enterprise zones, but conclusive evaluations are not yet available. The empowerment zones still include tax breaks to corporations, but add direct investments of public funds to create linkages among economic development, housing rehabilitation by community-development organizations, transportation, job training and placement, youth development, and community-based policing.

### **The Failure of the Job Training Partnership Act for High-Risk Youth<sup>15</sup>**

Begun in the 1980s, the supply-side Job Training Partnership Act (JTPA), failed out-of-school youth. Evaluations in the 1980s showed that, while the results were marginally positive for disadvantaged adults, out-of-school youth in the program actually did worse than comparable youth not in the program. For example, young men under age 22 who participated in the program had earnings \$854 lower than their comparison group, with significantly greater deficits for those who took on-the-job training.

JTPA did not provide for job creation, only training. JTPA enrolled only about five percent of those eligible for assistance, and critics say it was the wrong five percent -- certainly not the truly disadvantaged. A 1991 assessment by the U.S. General Accounting Office concluded that much JTPA training actually involved placing "trainees" in low-skill work rather than investing in improving skills. As Elliott Currie, of the University of California at Berkeley, concluded, studies of how JTPA worked suggest that its main function was to provide a stream of low-wage workers -- most of them already comparatively "job-ready" -- to private employers who would probably have hired similar people anyway without the program. Similarly Gary Orfield and Carole Ashkinaze concluded:

[The program] placed many in what turned out to be marginal, short-term, part-time jobs with high turnover rates. What appeared to be high placements at low cost often actually involved spending many hundreds of dollars per young person to get a part-time job that would have been available without training and which lasted less than three months.

For women, the goal was not so much to provide skill training than to channel relatively well-prepared women into traditionally "female" and low-paying jobs in private industry, concluded Elliott Currie. For example, in Atlanta, the local JTPA program "concentrated its resources on training African-American women with high-school degrees for traditional low-wage, dead-end, entry-level jobs, a substantial number of them as hotel maids."

To a considerable extent, JTPA also replaced the public sector with delegation to private contractors, who focused on the short-term and exposed many faults in the system. Concluded Jeff Faux of the **Economic Policy Institute**:

There is a problem when you do this [training] on a short-term contract basis... [I]n human capital development, you're looking at what happens to the person down the line -- you need institutions that are going to be around in 10 years.... Where you have a system of annual contracts, and people bid for them and put together a program, those people may be here tomorrow or may not be. What you miss is people who are professionals in this field and who see themselves as responsible for developing these programs over a long period of time.

These views are further reinforced by Harvard Kennedy School Professor John Donahue, who concluded in his book, *The Privatization Decision*, "There is no compelling evidence that the JTPA system, on balance, makes much difference for the employment, earnings and productive capacity of American workers."

In 1994, the U.S. Department of Labor concluded, "JTPA programs in general appear to have no positive impact on the earnings, employment, criminal involvement or welfare dependency of male and female out-of-school youth."

In the late 1990s, the JTPA was replaced with the Work Investment Act. In spite of the evidence we have documented above, the Work Investment Act repeats most of the supply-side mistakes of JTPA. This also is true of current "welfare reform," with its "work-first" requirements, instead of the "training-first" strategy that has had much greater success with the hard-to-employ. For the kind of "training first" and full employment for the structurally unemployed policy that is needed, based on available evidence, see **National Policy Based on What Works** and Chapter 6 of *The Millennium Breach* under **Publications**.

### **The Rhetoric Used To Cover Up Supply-Side Failure**

Especially during the 1981 to 1992 period when supply-side economics was most in vogue, but also continuing on from 1993 to the present, certain political catch phrases have been attached to policy for the truly disadvantaged. The phrases include words like civic society, civility, volunteerism, self-sufficiency, empowerment, "faith based," coalition, and devolution.

With appropriate recognition of their strengths, weaknesses and limitations, we have found that these concepts sometimes may have a role to play in

national policy. However, used to excess, cynically, as public relations political spin vehicles and without an understanding of what happens on the street, these concepts become supply-side smokescreens for continued disinvestment. They can cover up budget decisions against investing to scale in the children, youth, families and neighborhoods of the inner city. Briefly, consider each phrase:

**Civic Society and Civility.** It is fashionable to lament that families, neighborhoods, schools and congregations are in disrepair because Americans have lost the sense of small-town civic mindedness that Alexis de Tocqueville praised over a century and a half ago -- the "habits of the heart" on which he said democracy depends. A healthy civic society is said to promote considerate manners, neighborliness, a willingness to help others out in the community -- a sense of civility. Today, there is a profusion of projects and commissions on civic renewal and civility headed by persons of widely differing political philosophies.

However, in some cases, calls for a civic society and more civility appear to involve those at the top -- who have benefitted from supply-side economics -- asking those at the bottom to behave themselves. As Professor Michael Sandel of Harvard University has concluded:<sup>16</sup>

When the growing gap between rich and poor leads the affluent to flee public schools, public parks and public transportation for privileged enclaves, civic virtue becomes difficult to sustain, and the common good fades from view. Any attempt to revitalize community must contend with the economic as well as the cultural forces eating away at the social fabric. We need a political philosophy that asks what economic arrangements are hospitable to self-government and the civic virtues that sustain it.

**Volunteerism.**<sup>17</sup> In the case of military spending, there is agreement that we need money for paid professional staff, paid support staff, equipment and infrastructure. Corporation executives say that, to be competitive, salaries must be high, managers need qualified support staff, and equipment and infrastructure must be in place. Yet many also say that, for American poverty in the midst of plenty, increased racial segregation, the deterioration of inner-city infrastructure, the growing gap between rich and poor, and high unemployment in places like South Central Los Angeles years after the riot there, the answers don't involve money as much as volunteerism and self-sufficiency.

Such views form a double standard that our experience finds unsubstantiated. Evaluations by the Eisenhower Foundation have taught that, while the *spirit* of volunteerism is to be commended, it has sharp limitations in the inner city. Drawing on effective volunteers is difficult even in more advantaged communities. For example, a 1989 national *Washington Post-ABC* poll found 85 percent of the respondents agreeing that very few people "would be willing to join a community group against the drug problem."

The limitations of volunteerism are more apparent in the inner city. The fact that inner city residents are resource-poor to begin with is part of the reason why they are faced with the problems of dropouts, unemployment, crime, drugs and deterioration of community life. In a West Philadelphia inner-city nonprofit community program which the Eisenhower Foundation had evaluated in the 1980s, staff noted special difficulty in recruiting volunteers because of the high proportion of female-headed households in the neighborhood. Many women in the community already had their hands more than full coping with both family and work. The requirements of recent "welfare reform" make this limitation more relevant. Yet the Eisenhower Foundation also found that it often was difficult to recruit male volunteers in poor neighborhoods. Many of those who might have been qualified for volunteer work needed paid employment. An Eisenhower-evaluated program in the East New York section of New York City, for example, planned a volunteer subway station watch. Despite considerable efforts, there was little success in finding volunteers. The project director attributed the lack of response to residents' need for paid work, as opposed to volunteer work, and the possible danger involved.

Even when sufficient volunteers can be found, programs do not necessarily show positive outcomes. For example, volunteer citizen block watches do not necessarily reduce crime in inner-city neighborhoods, based on many evaluations over the last two decades. Sometimes they reduce fear while crime remains high or even increases. This can create a false sense of security.

Some of the clearest quantitative evidence on the limits of volunteerism is found in recent Eisenhower Foundation evaluations of youth development organization and police partnerships in Boston, Chicago, Philadelphia and San Juan. (See Youth Investment and Police Mentoring under **Publications**.) Inner-city nonprofit youth safe havens were integrated with police ministrations, which operated in the same space. Police mentored youth. Youth leaders joined police on community patrols and school consultations. During the first two years, the programs in the four cities were funded at levels about as originally planned. During the last year, there were very sharp funding cuts because of federal belt tightening. During the first two years, paid civilian staff ran the programs, and serious crime declined an average of 18 percent in the target neighborhoods in the four cities.

During the last year, paid staff were cut to the bone, much more reliance had to be given to volunteers -- and serious crime declined by an average of 3% in the 4 target neighborhoods. The findings were statistically significant.

Just as the Eisenhower Foundation's evaluations have found that good, reliable volunteers are not easy to find in inner city neighborhoods, so others have warned about reliance on middle-class or wealthy volunteers who live in the suburbs. Andrew Kohut, who headed an extensive study of "citizen engagement" for the Pew Charitable Trusts, has concluded, "It's a truism that people volunteer in their own social strata in areas where they feel comfortable." Professor Julian Wolpert, at Princeton University, has observed that volunteers overwhelmingly prefer to work in their own communities. "As a rule, volunteers don't commute." The problem is illustrated in an Eisenhower Foundation evaluation in Memphis, where middle class mentors promised to volunteer, but then did not participate. (See *Youth Investment and Police Mentoring* under Publications.) Talking about the exodus to the suburbs, Richard Leone, President of the Twentieth Century Fund, has concluded, "What used to happen in cities is that well-established and well-off people and major corporations had a real stake in neighborhoods. But economic stratification has increased every decade since World War II and it's had a real impact."

*In other words, volunteerism in poor neighborhoods has suffered as the rich have gotten richer and the poor have gotten poorer.* (See **Trends**.) The opposite also appears true. Volunteerism can increase inequality. As Sarah Mosle observes in the *Sunday New York Times Magazine*, after years of volunteering as a mentor in New York City:

... [V]olunteering is ... regressive. Far from alleviating the gap between rich and poor, it tends to aggravate it. That's because people are most likely to give if they are asked to by someone who knows them or if they already have strong ties to an organization. This is why universities do such a good job of fund-raising: they get your old college classmate Biff to call you up and ask you to contribute to an institution to which you already have a connection. It's a double whammy.

Consequently, time and money tend to stay in a donor's immediate social -- and economic -- world. When people talk about giving, they are often talking about contributing to institutions, like the Metropolitan Museum of Art of the New York City Opera, that confer prestige on the donor and improve the quality of life primarily for the middle class. Despite the roaring economy, organizations that work with the poor have actually seen their proportion of the charitable pie narrow in recent years. "Poverty relief, disaster relief -- it's a very thin slice," says Ann Kaplan, the editor of the annual report Giving USA.

A related issue is that good volunteerism is really not free. Professor Abe Wandersman at the University of South Carolina, who specializes in volunteerism, has said, "Effective volunteerism requires understanding the costs and benefits to the volunteers." For a volunteer to benefit and to be productive, the volunteer must be screened, oriented, trained and supervised. One-to-One/The National Mentoring Partnership, which links mentors to children, has said that the cost for one mentor for one year in New York City is \$192. However, in its evaluation of volunteers in the Big Brothers/Big Sisters Program, Public/Private Ventures estimated the cost for one mentor for one year to be \$1,000. This evaluation also estimates that perhaps 5 to 15 million youth need such volunteer mentors. Hence the cost might be \$5B to 15B per year if such volunteerism were replicated to a scale equal to the dimensions of the problem.

In this context, a 1997 Philadelphia summit on volunteerism has been viewed with skepticism by some observers, including ourselves. At the time of the summit, the New York Times interviewed residents in the impoverished Logan neighborhood of North Philadelphia, where the Eisenhower Foundation earlier had funded a community-based youth development and crime prevention replication. One resident thought the summit a bit "naive" because "you have to have a certain expertise among the volunteers, and in communities like Logan, people don't have the expertise." The director of the nonprofit community program observed, "Volunteering is really good, but people need a program to volunteer for, and in order to do that, you have to have dollars." Pablo Eisenberg, then former executive director of the **Center for Community Change**, concluded that "no matter whether you attract lots of volunteers, money is still the most important ingredient in reducing poverty and helping poor people. You need money even to organize volunteers."

In an expose on America's Promise, the national organization created at the 1997 Philadelphia summit to promote volunteerism, among other goals, *Youth Today* magazine asked whether the organization was "delivering for youth or fatally flawed." The executive director of one Midwest non-profit community group concluded that, after two years, the new creation was "long on talk and hoopla and short on doing." Although America's Promise promotes people working for free, as volunteers, the New York Times reported that the president and CEO of the group was being paid \$250,000 per

year.

Sara Mosle shares a skepticism on America's Promise and agrees with Pablo Eisenberg on the importance of resources:

[M]y success [as a volunteer] owed far more to the financial and institutional support I was receiving than to my idealism. My apartment in New York was too small for me to have all my kids over at once. Because the school was the ostensible sponsor of my program, it let me borrow a classroom after hours for my group. This meant desks! And access to scissors, crayons and glue. There was a chalkboard for writing out assignments, a tape player for playing music, an easel for displaying charts, a class library and so on. Because we were officially associated with a schools we could also ride the subway free whenever we took field trips on weekday afternoons. Together, these items -- the room, the basic supplies, the free transportation -- constituted a considerable capital investment in my program, all of it provided at taxpayer expense. This in turn helped me make the most of my grant money. "Government spending causes volunteering," the economist Richard Steinberg explains. "You can't have a volunteer in a school without a schoolhouse. Government institution-building increases volunteering."

For all the talk about children in this country, we do very little for them -- or their families. What my kids really need, I can't give them: better housing, less crowded schools, access to affordable health care, a less punitive juvenile justice system, and for their parents, better child care (so they can work without leaving their kids unattended) and a living wage. Even the churches, in whose name the claims of volunteering are often made, have begun to protest. In February [2000], a surprisingly large and diverse coalition of religious leaders -- from the conservative National Association of Evangelicals to the liberal United States Catholic Conference -- came together in Washington to inaugurate a new group, Call to Renewal, to insist that government do more to fight poverty. "Since welfare reform passed, all these problems have been dumped at churches' feet," says the Rev. Jim Wallis, one of the organization's founders. "But we can't do it all."

The best way to help kids, in short, is not to recruit strangers to take the place of parents, but to help those -- their families and teachers -- who are already in the best position to help them.

In spite of supply-sider rhetoric about volunteerism in the 1990s, overall, Americans donated 400 million fewer hours in 1998 than in 1995.

**Self-Sufficiency.** Because of the national debt that expanded from \$800 billion to over \$3 trillion from 1981 to 1991, during the height of supply-side economics, we were told that programs for the truly disadvantaged had to be reduced or eliminated. This made sense, we were told, because these programs didn't work anyway. To make best use of the diminished domestic funds that remained, inner city programs, typically run by nonprofit organizations, were encouraged to become financially "self-sufficient" from public money. Private sector funders also tended to require self-sufficiency.

There are some examples of such self-sufficiency that works. One of the best is the **Delancey Street Foundation** in San Francisco. Co-founded by Mimi Silbert, Delancey Street is run entirely by adult ex-offenders, who net over \$4M per year from their businesses. Delancey Street has been replicated successfully in Los Angeles, New Mexico, New York State and North Carolina.<sup>18</sup>

However, the **Delancey Street Foundation** has been an anomaly when it comes to self-sufficiency, especially for high-risk children and youth who are too young to work. In the 1980s and 1990s, over and over again Eisenhower Foundation evaluations found that such programs were frustrated, hampered, and sometimes stillborn because of insufficient funds for paid staff, insufficient funds for staff development, an absence of qualified, trained people to hire even had the funds been available, lack of space for program activities, lack of money to pay for the most basic, essential supplies and lack of internally-generated income streams. For example, in the program which the Foundation had evaluated in East New York, despite help from several VISTA volunteers, the project was "overwhelmed by the work." One staff member said, "There are too many things to do at one time -- block organizing, clean-ups, meetings, fundraisers, the after-school program and cleaning the office." We found such programs had trouble hiring, and even more trouble retaining, project directors, in part, as one evaluation notes, because of the "low salaries offered." In West Philadelphia, the program we evaluated had only one staff member for the first 10 months of operations. The first project director "received a better job offer and resigned" after a few months' work, as did the coordinator of a program for senior citizens. The program's executive director commented, "With non-profits, it's terrible. The pay is low, especially for professional people. They'll do it when they don't have other opportunities, but when something better comes up you can't blame them for taking it."<sup>19</sup>

*Until a long-run public and private strategy can be funded and well managed to sustain promising groups while they are technically assisted to carry out the principles of Delancey Street-like successes, the shortcomings of supply-side self-sufficiency are all too apparent.* This conclusion is relevant when it comes to replicating programs that have sustained themselves long enough to become models. Even the **Delancey Street Foundation**, which originally accepted no public or foundation funding, now is approaching the public sector and foundations for funding to replicate on a broader scale. The shortcomings of self-sufficiency also mirror the limits of volunteerism.

**Empowerment.**<sup>20</sup> In the 1980s, "empowerment" also became a fashionable term. As part of supply-side philosophy, empowerment meant control by the poor over their own destinies. The example used most was in public housing. Empowerment was used to describe programs for tenant management and tenant ownership. One tenant management demonstration, in Washington, D.C., became a showcase for visitors. Even the Queen of England came to see it. Yet no national strategy was created and funded to replicate tenant management and ownership to scale in public housing across the nation. Funding would have been needed to train tenants in management. Job opportunities would have been necessary to assure that those who owned their homes could pay their mortgages. In the absence of such a policy, tenants in only a relatively few demonstrations around the nation were "empowered." There never was much attention given to how "empowerment" would be a practical, day-to-day mechanism through which a model was replicated to scale. That seemingly required money, and money, at least public sector funding, was never central to "empowerment." However, after public sector executives who articulated empowerment left government, money came into play, in that they received large fees for talking about empowerment to audiences that were well off and could afford the fees.

Nor has empowerment been used in ways where it could have real meaning. For example, the Job Training Partnership Act could have been reformed to better link training to real jobs with upward mobility for welfare mothers and out-of-school youth. Such reform could well have been an act of empowerment by enabling dependent populations to become wage earners and taxpaying citizens. Instead, the new Workforce Investment Act has failed to create such empowering reform.

**"Faith-Based."**<sup>21</sup> Grants to "faith-based" organizations presently are in fashion. Over the years, the Eisenhower Foundation has replicated programs with both secular and faith-based grassroots nonprofit organizations. One of our present replication organizations is secular, but its vision, energy and creativity come from the values of the local chief of police, who is an ordained minister. Yet success by this group also is greatly based on sound management and the hard work of secular citizens and police. Another organization hosted a replication that was secular, but the executive director was an ordained minister. The evaluation of this replication showed mixed results, particularly because management and relations with the community were not as sound as they might have been. A third group with which we replicated was faith-based. Importantly, the nun who ran it for most of the time also was a very effective manager and received the cooperation of the police. A final illustration was a group led by another member of the clergy. This replication was an implementation failure, not because of any "faith-based" status, but because a new police chief would not necessarily agree to assign officers to the program as local match. (See Youth Investment and Police Mentoring under **Publications**.) This all is anecdotal information, not information based on scientific evaluation. But it suggests that the key to success is not necessarily whether a nonprofit group is secular or "faith-based." Based on our practical, common-sense experience, the key is whether a nonprofit organization has sound institutional capacity, for example, in terms of board leadership, financial management, organizational management, staff development, fundraising skills, media skills, and good relationships with the community.

**Coalitions.**<sup>22</sup> Grassroots coalition building was a popular catch phrase for inner-city programs in the 1980s. But there was, and still is, a lack of clarity in many grassroots initiatives as to why coalitions might help solve inner city problems. Part of the rationale seemed to be that resources presumably already were available in the communities, but were poorly managed and needed coordination via a coalition.

Especially in the climate of scarce resources for the inner city, there has as yet been no proof that this assumption holds. Some of the best examples come from the Center for Substance Abuse Prevention (CSAP), a federal agency which we believe has done a good job. Over the last decade, CSAP has made hundreds of grants to both community-based coalitions and to single youth agency service providers. *There is little evidence that the coalitions produced better outcomes than the single agencies.* Coalitions required a lot of meetings. The single agencies gave priority to direct service provision, building partnerships with others only if and when they appeared productive. It has been the experience of the Eisenhower Foundation that resource-poor organizations will resist collaborations and their many meetings unless there is a reasonably clear promise that the organizations will secure more funds for their work.

However, if coalitions are not used as smokescreens for disinvestment by the public sector, we believe they have potential. For example, *if* the

partners of a coalition are adequately funded, and *if* there also is additional funding for joint work, then the partners can make site visits to learn about one another, undertake evaluations which might not be feasible on a single agency basis, and perhaps share a common media director who communicates their successes in ways that generate publicity and then more funding.

**Devolution.** The word devolution has become popular as a supply-side strategy to shift power away from federal government. The most publicized current venue for devolution is to shift welfare programs to state government. However, there is no clear-cut evidence that state government works better than federal government. There is some basis for saying that states have been "creative laboratories for change," to use language that frequently is used today. An illustration is the success of southern states in reducing infant mortality. Yet there is great variability among states. There are relatively innovative states, like New York. There also are states which are much less innovative. Some states, like Vermont, have true participatory democracy, while other states are entrenched with cronyism.<sup>23</sup>

Experience also has shown that, when the federal government makes block grants to states that affect high-risk children and youth, governors do not always distribute the block grants proportionately to the populations in need. For example, there have been years when California did not grant Los Angeles nearly its proportionate share of drug block-grant money. The same has been true for Wisconsin and its distribution to Milwaukee.<sup>24</sup>

*But the key issue is why we should devolve to the state public sector bureaucracy at all when there is considerable evidence that local, private, nonprofit, grassroots programs are more successful than state bureaucracies.* (See **What Works**. Also see **Lessons from the Street: Capacity Building and Replication**.) One reason why supply-side supporters are against devolution to the grassroots level is that grassroots organizations tend to be opposed to supply-side economics. Grassroots organizations tend to support bubble-up, demand-side economic development that is run indigenously. Another reason may be that too much devolution is not necessarily good for the monied interests that benefit from supply-side economics. Such interests often can be at the losing end of local battles led by grassroots groups. These interests often have more clout in lobbying state legislators. In fact, there is some evidence that lobbyists are increasingly brandishing a new weapon against local and grassroots empowerment, as part of devolution: pre-emption. Some well-financed lobbyists are pressuring state legislatures to pre-empt local ordinances. For example, grassroots activists have won local restrictions on indoor smoking and handgun use in some localities. In response, the Tobacco Institute and the National Rifle Association have taken pre-emption campaigns to statehouses to try to reverse such victories.<sup>25</sup>

**Conclusion.** We do need strong civic institutions in the inner city. Well-trained volunteers usually are present in adequately funded programs that work. The **Delancey Street Foundation** is a worthy model for self-sufficiency that should be widely replicated. Inner-city families can exit poverty if they are empowered by real job opportunities. Those opportunities need to be partnered with quality education, remedial education and job training in grassroots programs that work. Both "faith-based" and secular nonprofit organizations can create sound institutional capacity. Devolution can succeed at the grassroots level. These phrases only become suspect when used by politicians as smokescreens in place of real investment in the human and physical capital in the inner city. America has the resources for such investments. (See **National Policy Based on What Works**.)

### **The High Cost and Questionable Effectiveness of Prison Building<sup>26</sup>**

In the 1980s and extending into part of the 1990s, it became fashionable to base policy not only on supply-side economics and its associated political rhetoric but also on the argument that, in effect, prison building is one of the best short run policies to deal with the truly disadvantaged and the inner city -- especially when it comes to the young minority males, the "feral superpredators" -- who are viewed by many as threats to civic society and civility.

As a result, while there were 200,000 people in prison in 1970, today there are about 2,000,000 in prison. There are more people in prison in the U.S. than any country in the world, including China and Russia, based on estimates by the **Sentencing Project**.<sup>27</sup>

The single most important explanation for the increase in the prison population has been drug enforcement. The 1985 Omnibus Drug Enforcement, Education and Control Act greatly increased penalties for drug offenders. These policies, and similar policies at state and local levels, included mandatory minimum sentences, and repeat offender provisions such as "three strikes and you're out." <sup>28</sup>

What are some of the results of the nation's present prison building policy?

### **Race, Prison and Criminal Justice.**

In the early 1990s, one out of every four young African-American men in America was in prison, on probation or on parole at any one time. Yet today and after a Presidential Commission on Race that did little in terms of practical policy impact, *one out of every three* young African-American men is in prison, on probation or on parole at any one time in America. In big cities, the number is *one out of every two young African-American men*. Nonetheless, *Latinos* are the fastest growing group of inmates. If present trends continue, by 2020, one of four Latino men aged 18 to 34 will be in the criminal justice system and two of three African-American men. Latino and African-American youth are treated more severely than white teenagers charged with comparable crimes at every step of the juvenile justice system, according to a comprehensive new report funded by the U.S. Department of Justice and six leading foundations. (See the National Council on Crime and Delinquency, whose staff co-authored the report.) The discrimination runs the gamut, from racial profiling by police to sentencing by judges. For example, sentences for drugs involving minorities are much harsher than sentences for drugs involving whites.<sup>29</sup>

**Prison as American Education and Housing Policy.** Today, all the states combined spend more on prison building than on higher education, whereas 20 years ago, the opposite was true. Based on a 1997 study by the Justice Policy Institute recommends a moratorium on new prison construction and a 60 percent reduction in the nonviolent prisoner population over the next five years.<sup>32</sup> We concur. A leading model for diversion of nonviolent offenders from prison is the conservative state of Arizona. (See Justice Policy Institute study compares prison building to university building. Other studies have compared prison building to local public elementary and high school building. One study has reported that, since the mid-1980s, about 10 percent of our new public schools have been built nationally while about 80 percent of our new prisons have been built. To illustrate, in Florida, serious middle school and high school overcrowding has developed during the prison building boom. Oconee, a town in the electoral district of Florida's Speaker of the House, has three quarters of the students of one school in portable classrooms.<sup>33</sup>

Not only has prison building therefore become part of our education policy, through money redirected from schools to prisons, but it also has become a way of housing the poor. While we were tripling the number of prison cells over the 1980s, the federal government, as part of supply-side economics, reduced appropriations for housing the poor by over 80 percent.<sup>34</sup>

### **Prison, Lobbying and Money<sup>35</sup>**

A large portion of the nation's new prisons have been built in rural areas. In rural counties, the new inmate population amounted to nearly half of all population growth during the 1980s.

Fremont County, Colorado illustrates the 1990s trend of using prison building as a growth industry for rural development. Four federal prisons have opened in the county since 1994. Ruth M. Carter, the Mayor of Canon City in the county, says, "We have a nice, nonpolluting, recession-proof industry here.... We as a community are doing better and better." The county has gained 3,100 new jobs. Unemployment is four percent. Local t-shirts proudly are sold, proclaiming, in red letters, "Corrections Capital of the World -- Fremont County." Fifteen thousand tourists a year visit the county's prison museum in nearby Florence, where there is one prisoner for every citizen on the outside. An upscale housing development centered on a golf course is being built across from one of the prisons. Local officials lobbied the U.S. Bureau of Prisons hard for the \$60 million prison complex, for example, by appearing on the network *Good Morning America*, putting up a local cash match and donating the land.

Like Fremont County, many hard-pressed small rural communities have fought for and won prison building development and jobs money, places like Hobbs, NM; Tupper Lake, NY; South Bay, FL; and Beeville, TX.

Inmates are disproportionately minority in these prisons. But administrators and guards often are mostly white males. In this sense, prison building has become a kind of economic stimulus package for rural white men. The 1996 National Criminal Justice Commission identified a "prison-industrial complex" in which well-paid lobbyists in Washington, DC pressure members of Congress to build more such rural economic development prisons and generate jobs. Nationally, the employment of prison staff and supervision jumped 31 percent in the early 1990s, according to the U.S. Department of Justice, to 347,320, in the late 1990s.

Many of the new prisons are privatized. The profit makers usually are white-male-controlled corporations. The inmates disproportionately are minorities. *In this sense, prison building has become part of a supply-side economics process in which the white rich have become richer and the nonwhite poor have become poorer. Inequality and prison building are, in effect, part of the same broader issue: How the economic system controls*

*the political system.* (For solutions, see [Communicating What Works and Creating Action](#).)

### **Dollar Costs**

In a state like New York, it costs over \$100,000 to build a new prison cell. It costs up to about \$30,000 per year to keep someone in a New York State in a high security cell. This cost is higher than sending a young person to an Ivy League university. The dollar costs do not appear to compare well to the benefits of programs that work. Many public and private initiatives that work, like the Quantum Opportunities Program and Job Corps, appear to have superior cost-benefit ratios when it comes to crime. In addition, these programs often simultaneously improve educational attainment, improve employability, reduce teen pregnancy and reduce dependency -- while prison does not. (See [What Works](#).)

### **The Impact of Prison Building on Crime<sup>37</sup>**

Given the racial and economic costs of prison building, what evidence exists that more incarceration equals less crime?

A number of studies have attempted to measure the relative impact on crime of the national prison building boom. One of the most prestigious studies was sponsored by the National Academy of Science. The Academy's Panel on Understanding and Preventing Violence found that, from 1975 to 1989, "Increases in both a convicted violent offender's chance of being imprisoned and the average prison time served if imprisoned at all combined to cause a near tripling of the expected prison time served per violent crime." As a result, the Panel estimated that increased use of prison from 1975 to 1989 prevented 10 to 15 percent of potential violent crimes. However, the number of violent crimes committed in America was the same in 1989 as in 1975: 2,900,000. "This suggests that by itself the criminal justice response to violence could accomplish no more than running in place," the Panel found.

Conventionally, it is argued that prison has two crime-reducing effects: incapacitation and deterrence. Incapacitation is the separation of incarcerated criminals from the community to prevent them from committing more crime. It is plausible that the estimated 10-15 percent of violent crimes prevented by prison building, according to the National Academy of Science, was due to incapacitation.

It is less plausible that it was due to deterrence. Deterrence means discouraging potential offenders on the outside through the threat of punishment. Joan Petersila, former Director of the RAND Corporation's Criminal Justice Program, concludes, "Prison is most likely to deter if it meets two conditions: social standing is injured by the punishment and the punishment is severe in comparison to the benefits of the crime." Among truly disadvantaged young men in particular, often neither condition holds. Violence can be the only, or one of the few, effective ways to achieve status, respect and other personal needs in low income neighborhoods, based on the research of Professor Delbert Elliott at the University of Colorado. This is especially so if a youth is a member of a gang. Going to prison can toughen one up, enhance one's reputation and provide good education in crime, based on research by Professor Elijah Anderson at the University of Pennsylvania. In the case of drugs, the persons most frequently arrested are not the mid- to high-level drug dealers, but young street runners, and they are almost immediately replaced. For overall youth crime, Beatrix Hamburg, former President of the William T. Grant Foundation, has concluded:

The evidence is clear that enactment of increasingly harsh and punitive laws, including reducing the age for sentencing youngsters to adult prisons to 12 or 13 years old, does nothing to deter youth crime or remove the causes of youth crime or violence. On the contrary, a number of studies confirm that the harshest laws have led to an unintended opposite effect of higher recidivism and more serious crime. But crime did decline significantly in the 1990s, after the report of the National Academy of Science's panel. To what extent was prison building responsible? It is doubtless true that our mushrooming prison population has had some dampening effect on our rates of violent crime. That is what many years of serious criminological research on incapacitation would lead us to expect (as discussed above). Put *enough* offenders behind bars, and it would be strange indeed if there were no impact on crime -- at least on some kinds of crime. But that is very different from believing that incarceration is the *major* reason for the recent declines in serious violence in America -- or that we could drive our rates of crime and violence even lower if we just did more of the same.

The idea that booming prison populations are the key reason for the declines in serious criminal violence runs up against a number of stubborn realities. One is that the magnitude of the declines varies enormously across different states, and it does *not* vary in any consistent fashion with those states' uses of incarceration relative to their crime rates. Some of the slowest declines in violence (and in FBI-reported serious "Index" crime generally) have been in Southern states with very high and very rapidly rising incarceration rates; some of the fastest declines have been in the Northeast, which traditionally incarcerates relatively sparingly. Some of the most spectacular successes against youth violence have taken place in

Boston, in a state with a traditionally low incarceration rate relative to its crime rate and excellent youth development prevention programs.

Twenty years of research on incapacitation tells us that, if a state boosts its prison population dramatically, there will probably be moderate effects on some "high-rate" crimes, notably burglary and perhaps one violent crime, robbery -- but astonishingly small effects on most other serious crimes of violence, including homicide, serious assault and forcible rape. Yet homicide has fallen as fast as robbery, and considerably *faster* than theft or burglary since 1994. Can our sixfold increase in the prison population explain some of the decline in homicide? Probably. Can it explain *most* of it? No.

Overall, we have concluded that the drops in crime in the 1990s had more to do with the economic boom and the waning of the crack epidemic than with policies like prison building or zero-tolerance policing. (See Chapter 2 in *To Establish Justice, To Insure Domestic Tranquility* -- the Foundation's 30 year update of the National Commission on the Causes and Prevention of Violence -- under **Publications**.)

Our final cautions have to do with time and place. In terms of time, while violent crime declined in the 1990s, rates of violent crime and fear at the end of the 1990s were about the same as in the late 1960s, when there was much talk of a crime epidemic. In terms of place, the 1980s and 1990s, the U.S. continued to have the highest rates of violent crime, the highest rates of child homicide and the highest rates of incarceration in the industrialized world. These comparisons over time and among nations do not provide compelling evidence that more prisons result in less crime. (See *To Establish Justice, To Insure Domestic Tranquility* under **Publications**.)

### **The Failure of Boot Camps**

Nor do boot camps appear effective or cost-effective. Boot camps are for young criminals, most of them first-time offenders who were engaged in nonviolent acts, like burglary and drug dealing. Several months of tough treatment and close supervision by uncompromising drill instructors are used to try to instill discipline and a desire not to repeat. By the mid-1990s, 30 states and 10 localities operated boot camps, as did the federal government. However, evaluations have consistently found that the recidivism rates of boot camp graduates are no better than those of convicts sentenced to traditional prisons. In one of the most comprehensive scientific evaluations to date, of boot camps in eight states, Professors Doris MacKenzie and Claire Souryal at the University of Maryland concluded that "the impact of boot camp programs on offender recidivism is at best negligible."<sup>38</sup>

### **The Failure of the "War on Drugs"**

Drug and prison policy interrelates: sentencing for drug involvement is racially biased. (See the new Justice Department major foundation report co-authored by staff of the National Council on Crime and Delinquency, above.) But there is little evidence that the "war on drugs" has worked. For example, **Drug Strategies** in Washington, DC has concluded:<sup>39</sup>

From 1981 to 1997, the federal government spent nearly \$60 billion on domestic drug law enforcement. Federal expenditures for domestic drug law enforcement during the period 1991-1995 were 8 times larger than expenditures from 1981-1985. Moreover, state and local spending on drug law enforcement over the past two decades is estimated to be at least twice as great as Federal spending on domestic drug law enforcement.

Despite these budget increases, the drug problem persists. Arrests for drug offenses (possession or sale) have risen sharply in recent years, climbing from 460,224 in 1980 to 1,167,600 in 1995. While arrests for serious property crimes have gradually declined since 1991, drug arrests increased 46 percent. In 1995, 23 percent of state prisoners and 60 percent of Federal prisoners were incarcerated for drug law violations.

Since 1991, drug use has climbed sharply among junior high and senior high students, according to the annual survey, "Monitoring the Future." Increases have been most dramatic among the youngest teens. In the past 5 years, drug use has more than doubled among eighth and tenth graders.

"Almost 70 years after the failure of Prohibition, the much-trumpeted 'war on drugs,' begun more than a decade ago, has itself hugely misfired.... We have a failed social policy and it has to be re-evaluated." So concludes Barry R. McCaffrey, the four-star general in charge of national drug-control policy in the 1990s. General McCaffrey also observed that, "If measured solely in terms of price and purity, cocaine heroin and marijuana prove to be

more available [today] than they were a decade ago."<sup>40</sup>

### **The Immorality of What Doesn't Work**

Finally, we cannot ignore the moral dimension when it comes to what doesn't work. We suggest that:

- It is immoral for the states to spend more on prison building than on higher education.
- It is immoral for white corporations in the prison-industrial complex to profit from incarcerating minorities sentenced with racially-biased drug laws.
- It is immoral for the rate of incarceration of African-American men in America today to be four times higher than the rate of incarceration of Black men in pre-Mandela, apartheid South Africa.
- It is immoral for the federal government to let the rich get richer and the poor get poorer.
- It is immoral for over a fifth of America's youngest children to live in poverty.
- It is immoral for CEOs to earn 419 times as much as their factory workers.
- It is immoral, through lack of campaign finance reform, for America to create a one-dollar, one-vote democracy, rather than retain a one-person, one-vote democracy.

We cannot give up the moral high ground if we are to establish justice and insure domestic tranquility. We need to mobilize the clergy of America to make this point.

### **Perspective**

There are scores of other good examples of what hasn't worked for the truly disadvantaged and the inner city, such as, the Urban Renewal and Model Cities programs that emerged in the 1960s. Here, we have stressed the failure of supply-side economics and prison building because an enormous amount of the policy debate in recent years has been monopolized by these and related themes, and by their associated misleading political rhetoric. Given the evidence that such policies are neither particularly effective nor cost-beneficial, and have devastating negative impacts in terms of class and race, it is important to remember that we do know what works, it is cheaper than what doesn't work, and we can create a national policy based on what works.

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